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SENSITIVE

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SUBJECT: NIGERIA: BI-WEEKLY POL/ECON UPDATES FOR AUGUST 1-15, 2008

¶1. (U) The following is a joint Embassy Abuja/ConGen Lagos compilation of August 1-15 political/economic highlights, which did not feature in our other reporting, covering:

--Elections
--National Assembly
--Economic and Business
--Oil and Gas
--Other News

Election Tribunals, Election Reform

¶2. (U) ELECTION COMMITTEE TERM EXTENDED. At the request of the Electoral Reform Committee (ERC), President Yar'Adua extended its tenure by four months. The committee will now submit its report in December. The Guardian newspaper reported on August 13 that the committee chairman, former Chief Justice of Nigeria, Muhammadu Uwais, said the committee requested more time because Nigerians "bombarded" the panel with memoranda. He said the extension will enable the ERC to complete its work.

¶3. (SBU) ELECTION REFORM COMMITTEE TELLS OF PLANS. ERC members told Lagos Poloff on June 18 that the ERC report will recommend an Independent National Electoral Commission with separate funding, an improved voter registration process, a modified open secret ballot voting process and more democratic political parties. One member commented that non-democratic political parties are 80 percent of the problem and the ERC cannot fix them under current law.

¶4. (U) ELECTION HEARINGS DRAW AUDIENCE. The June 16-18 ERC hearings in Owerri, Imo State, drew a wide variety of presenters, including the former governor of Abia State, Orji Kalu, and the former and current governors of Imo State. Current Governor Ikedi Ohakim (Peoples' Progressive Alliance) of Imo gave the opening address, simultaneously praising President Yar'Adua for convening the ERC and condemning "incorrigible" Nigerian politicians for causing crime and arming thugs to win elections.

National Assembly

¶5. (SBU) LEGISLATURE SETS UP COMMITTEE TO STUDY NIGER DELTA. The Guardian newspaper reported on August 13 that the House of Representatives will establish an ad hoc committee on the Niger Delta crisis to hold public hearings on the issue. While some question the impact of such a committee, House members claim this

approach is novel and the results will be brought to the full House which will then pass them to the President for implementation. (Comment: This approach is not novel; countless legislative committees to investigate a variety of issues have been announced in the past year. The result is typically a few weeks of newspaper headlines and little else. End Comment.)

Economic and Business

¶6. (U) CLINTON FOUNDATION TO ASSIST LAGOS WITH WASTE MANAGEMENT. At an investment forum in Lagos on August 6 the Managing Director of the Lagos State Waste Management Agency reported that the Clinton Foundation will provide \$36 million to improve waste management in the state. The Clinton Climate Initiative is working with four large cities in Africa: Lagos, Addis Ababa, Cairo, and Johannesburg, to reduce greenhouse gas emissions through energy saving, building retrofits, waste management programs and other measures.

¶7. (U) NIGERIAN AGENCY DESTROYS COUNTERFEIT DRUGS. The National Agency for Food and Drug Administration and Control (NAFDAC) destroyed counterfeit drugs, substandard food and other fake products valued at \$2.1 million in Gombe State in early August. Dora Akunyili, NAFDAC Director General, told the media the main purpose of the destruction exercise was to prevent counterfeit drugs and substandard products from finding their way into the homes of innocent and unsuspecting customers.

¶8. (U) REMITTANCES AND THE NIGERIAN DIASPORA. Commercial banks reported that in 2006, remittances for overseas Nigerian were

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estimated at \$4.2 billion dollars, representing 700,000 transactions and a 30 percent increase from 2005. The overwhelming majority of remittances came from the United States, UK, and Italy. Nigerian banks are encouraging recipients of remittances to invest a portion of the money, instead of consuming it all. Nigerians in Diaspora Organization, Europe (NIDOE) has set up a \$200 million Diaspora Investment Fund, and PHB Asset Management Limited, a subsidiary of Bank PHB, manages the account.

¶9. (U) CIVIL AVIATION UPDATE. On August 4, the Ministry of Transportation directed Virgin Nigeria Airways (VNA) to relocate its operations from the international wing of Murtala Mohammed International Airport (MMIA) to the new domestic terminal by August 11. (Note: The two terminals are on opposite sides of the airfield and are not physically connected. A cumbersome shuttle service is in place to move passengers making connecting flights. End Note.) On August 9, the Minister of Transportation directed aviation authorities to ground all domestic flights departing from MMIA. Richard Aisuebeogun, Managing Director of the Federal Airports Authority of Nigeria told EconOff on August 5 that VNA had been given every chance to relocate to the new domestic terminal. As a result of the directive, all VNA domestic flights were suspended August 12-13 while VNA moved its operations to MMA2. Chairman of Virgin Group Richard Branson denounced the GON's heavy-handed approach and questioned the country's ability to attract foreign investment. On August 13, the Federal Executive Council reversed the relocation directive, but VNA decided to continue its domestic operations out of MMA2 pending a court hearing in October. President Yar'Adua warned VNA on August 17 against waging "negative media campaigns" against the government.

¶10. (SBU) Nigeria's Accident Investigation Bureau (AIB) investigator Captain Muhtar Usman told EconOff that AIB is working with the U.S. National Transportation Safety Board (NTSB) to complete the investigation of an incident involving a Chanchangi Boeing 737 which ran off the runway at Port Harcourt International Airport on July 14. Nigeria is bringing the Flight Data Recorder and Cockpit Voice Recorder to the NTSB Headquarters in Washington DC on August 25 for analysis.

¶11. (SBU) CENTRAL BANK REVERSES DECISION. On August 5, the Central Bank of Nigeria (CBN) decided to rescind the December 2009 common year-end requirement for banks, leaving it to the discretion of the

banks. The requirement would have required all banks to use the calendar year as the fiscal year for accounting purposes. Banks currently uses a variety of fiscal years, making comparisons difficult and allowing the banks to massage their accounting numbers at the end of the year. Bismarck Rewane, Managing Director of Financial Derivatives, said the reversal of the common year-end requirement signifies the rapidly waning influence and weakening position of CBN Governor Chukwuma Soludo.

¶12. (SBU) BUSINESS ENVIRONMENT IN LAGOS DETERIORATING. On August 8, officials from three U.S. manufacturers, Pfizer, Motorola, and Coca-Cola, told Consul General and EconOffs that unpredictable power, the rising cost of fuel to power generators, increasingly hostile policies adopted by Lagos State Government (LASG), and poor security have prompted many companies to consider moving their operations to Abuja. Pfizer downgraded Nigeria from being the company's regional headquarters and has set up a reporting and evaluation structure for Nigeria separate from the rest of West Africa, given the rising costs and risks of operating in Lagos. The Coca-Cola official said the company may stop producing syrup in Nigeria because of rising costs. All three companies said they have considered moving to Abuja, but a lack of skilled manpower in Abuja and concentration of customers in Lagos are two primary reasons keeping manufacturing companies in Lagos.

¶13. (U) On August 13 the Lagos State Government presented a new infrastructure master plan for its Lekki sub-region. The plan calls for a 10,380 hectare Lekki City to check the haphazard development currently going on in the Lekki corridor. The plan highlights the provision of electricity, roads, and waste management as priorities for the new city. According to Lagos State Governor Fashola (who attended the presentation), the new area will have areas zoned for commercial, light industrial, residential, tourism, and environmental conservation use. (Comment: The plan, though laudable, is a massive project that will require serious government commitment. Governor Fashola's administration has a poor track record on following through on its plans, and has yet to start on

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other projects, like the Fourth Mainland Bridge, promised during last year's election. End comment.)

Oil and Gas

¶14. (U) SALE OF TEXACO ON HOLD. A local paper reports that Zenon Petroleum, a Nigerian downstream company, obtained a temporary injunction from a Nigerian federal court halting Chevron's sale of its Texaco downstream subsidiary. Chevron owns 60 percent of Texaco, which operates 381 gasoline stations throughout Nigeria. (Note: Texaco is 40 percent Nigerian-owned, the result of a 1978 decree mandating increased Nigerian participation in local businesses. End Note.) Zenon, which owns 19 percent of Texaco, has sought to block the deal, which it says will leave the new company with too much debt and will endanger minority shareholders. The proposed sale by Chevron has attracted interest from Zenon's top rivals, Oando Plc and African Petroleum.

¶15. (SBU) REPORTED ATTACK ON NATURAL GAS PIPELINE. Reuters reported that militants destroyed part of a Nigerian National Petroleum Corporation (NNPC)-owned natural gas pipeline in Rivers State on August 10. A spokesman for the "militant" umbrella group MEND told Reuters that a MEND "diving unit" was responsible for the operation.

In the press, a NNPC spokesman could not confirm an attack on its pipeline and speculated that a pipeline serving the Bonny Nigeria Liquefied Natural Gas (NLNG) plant may have been the target. However, a contact at NLNG told EnergyOff that none of its supply pipelines had been attacked and the company was operating normally.

¶16. (SBU) NIGERIA'S OIL RESERVES FALL. In a public statement on August 15, NNPC Group Managing Director Abubakar Yar'Adua said Nigeria's proven oil reserves stand at 33.6 billion barrels. (Comment: The wire service Agence France-Presse reported this as a 12 percent increase in Nigeria's reserves over the previous year, but on the Energy Information Agency's website, Oil and Gas Journal

estimates Nigeria's 2007 proven reserves at 36.2 billion. That would make the claimed 33.6 billion barrels a seven percent decrease in reserves. NNPC-generated briefs seen by EnergyOff have typically put Nigeria's reserves at 36 billion barrels. Instead of progressing toward its stated goal of increasing proven oil reserves to 40 billion barrels by 2010, Nigeria is seeing its reserves dwindle because of ongoing violence, a lack of investment, and NNPC's cumbersome contracting process. End Comment.)

¶17. (U) PIPELINE REPAIRS DELAYED. A Shell spokesman acknowledged that ongoing violence in the Niger Delta is preventing the company from repairing a crucial oil pipeline damaged in a militant attack earlier this summer. The pipeline, located in Rivers State, is a trunk line that feeds oil from onshore fields to Shell's Bonny export terminal. Shell maintains force majeure on a portion of its exports of Bonny Light crude oil due to the outage.

¶18. (U) ILLEGAL REFINERIES IN NIGER DELTA. Various Nigerian newspapers report that units from the Joint Task Force have uncovered about 200 "illegal refineries" operating in the swamps in Rivers State. While details are scarce, the press is reporting that the refineries make gasoline and diesel for sale to local consumers. (Comment: Mission has not been able to confirm the reports. While there are good reasons to be skeptical of the stories, if true they would be an interesting example of oil thieves expanding their business from midstream to downstream. End Comment.)

¶19. (SBU) KEROSENE SCARCE AFTER PROMOTION. Predictable flaws in African Petroleum's (AP) plan to sell kerosene for 50 naira/liter have emerged. Press reports abound of kerosene shortages at AP gas stations as black marketers rush to buy the cheap fuel (which typically sells for 65-150 naira per liter at legitimate retail outlets) and resell it on the street. An AP gas station manager in Lagos told EnergyOff that his station has not had kerosene for weeks, although lines of hopeful customers still form at the kerosene pumps. Because of the lack of electricity and increasing shortage of firewood, kerosene is widely used for cooking and lighting. (Comment: It has never been clear who or what was behind AP's sale of kerosene. President Yar'Adua publicly lauded the promotion and encouraged other downstream companies to follow AP's example. Unlike gasoline, the price of kerosene is largely deregulated. Whether AP is receiving an unofficial subsidy from the GON is uncertain. What is certain is that the black marketing was

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an inevitable result of AP's promotion. End Comment.)

Niger Delta

¶20. (SBU) NDDC COMMITTEE MEMBERS SEES NEED FOR A CRACKDOWN. Justin Rewane of the President's Monitoring Committee of the NDDC told Lagos PolOff in a meeting August 4 that militants were essentially gangsters and they needed to be "taken out." Rewane favored a military solution to the militants saying, "After Odi, we had peace." (Note: The reference is to the destruction of the village of Odi by the Nigerian military in 1999. End Note.) He added that as long as the militants were paid off, they would remain powerful, intimidating peaceful inhabitants of the Delta. Rewane also theorized that the militants were threatening German construction company Julius Berger to prevent the construction of roads in the Niger Delta; roads, he said, could be used by the military to attack the militants. According to Rewane "Once you have roads, it will be the end of the militants. If there are no militants, there will be no illegal bunkering." (Comment: Justin Rewane is the brother of prominent Nigerian businessman Bismark Rewane. His views on how to solve the problem in the Niger Delta are decidedly antiquated and hopefully do not reflect the wider views of the monitoring committee. End Comment.)

Other News

¶21. (U) GON NEGLECTS FEMALE EDUCATION. During a two-day national

conference on girls' education held in Kaduna State on August 13-14, the Minister for Education acknowledged that the Federal Government has paid relatively little attention to vulnerable groups, including female children. She noted that in the North girls are far behind boys in terms of enrollment and completion of education. She identified inaccessibility, geographic disparities, and funding as dimensions to the problem. The governor of Kaduna State said poverty, early marriage, teen pregnancy, inadequate facilities, and misinterpretation of Islamic and cultural tenets inhibit girls' education. The conference commended some states for the establishment of "Second Chance Schools" which provide educational opportunities for young mothers and women who wish to re-enter school after dropping out at an earlier age.

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